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Mexico

Frozen Potato Products

Trucking Retaliation Increases Tariff on U.S. Frozen Potatoes

2009

Approved by:
Erich Kuss
U.S. Embassy Mexico

Prepared by:
Dulce Flores and Mark Ford

Report Highlights:
On March 18, 2009, the Secretariat of Economy (SE) published an announcement in the *Diario Oficial* (Federal Register) modifying the import tariffs of 36 U.S. agricultural products. These modified tariffs are in retaliation over the dissolution of the U.S.-Mexico Cross-Border Trucking Demonstration Project. (See MX9010). Among the various agricultural products, the announcement stated that as of March 19, 2009, frozen potato imports from the United States would be subject to a 20 percent duty. The United States exported approximately $78 million in frozen potatoes to the Mexico in 2008.

Includes PSD Changes: No
Includes Trade Matrix: No
Trade Report
Mexico City [MX1]
[MX]

TABLE 1. MEXICO: TRUCKING RETALIATION PRODUCT IMPORT FROM THE UNITED STATES U.S. DOLLARS			
HS Code	Description	2008	New Tariff
2004.10.01	Potatoes, prepared etc., no vinegar etc. frozen	78,006,278	20%

Source: SAGARPA/SIAP, Secretariat of Agriculture, Rural Development, Fisheries and Food. Agro-Food and Fisheries Information Service

Post's Analysis: Mexico is the third largest market for U.S. frozen potato exports behind Japan and Canada. Since frozen potato products from the United States will now be at a 20 percent tariff disadvantage to Canadian products, Mexican importers may seek to take advantage of Canada's zero NAFTA tariff. The Mexican Most Favored Nation (MFN) tariff on HS code 2004.10.01 is 20 percent, so the United States should be able to still compete with other countries. In the short term, it may be difficult for importers to switch to non-U.S. product as contracts are in place and supplies of product are relatively set. This will mean a 20 percent increase in the price of frozen potato products to restaurants and retailers in Mexico, and much of this increased cost is expected to be passed on to consumers.

According to the U.S. potato industry, demand for higher priced U.S. product in the short term (April - June) will decline roughly 15 percent. In the medium term (July – September), it is anticipated that movement to other suppliers will result in a 20 percent reduction of U.S. exports, while consumer demand will decline 10 percent. However, if the duties remain in place over a longer term, movement to alternative suppliers could result in a 30 to 40 percent reduction in U.S. exports.

Background: On March 18, 2009, the Secretariat of Economy (SE) published an announcement in the *Diario Oficial* (Federal Register) modifying the import tariffs of 36 U.S. agricultural products. These modified tariffs, allowed under NAFTA dispute settlement rules, are in retaliation over the dissolution of the U.S.-Mexico Cross-Border Trucking Demonstration Project. (See MX9010). The Mexico Cross-Border Trucking Demonstration Project was an accommodation reached with Mexico after years of dispute regarding the delay to implement the NAFTA trucking obligations. It was set up in 2007 as a step towards implementation of the NAFTA trucking provision. It allowed up to 100 trucking firms from Mexico to transport international cargo beyond the commercial zones along the U.S.-Mexico border and up to 100 U.S. trucking firms to transport international cargo into Mexico. Bus companies and hazardous material carriers were excluded. The Trucking Pilot Program began on September 6, 2007, and was originally designed to run for one year. By an exchange of letters between the U.S. and Mexican Transportation Secretaries on August 4, 2008, the Trucking Pilot Program was extended up to an additional two years to ensure that it could produce sufficient data to evaluate its safety impact. In 2007, Mexico-domiciled motor carriers crossed into the U.S. approximately 4.8 million times, transporting an estimated $215 billion of freight.